



STATE OF HAWAII
DEPARTMENT OF TAXATION
HONOLULU, HAWAII

April 2003

INVITATION FOR BIDS
DOTAX-IFB-FY-03-5

SEALED BIDS
FOR THE
PRINTING AND DELIVERING OF NET INCOME TAX RETURNS FOR 2003

FORM N-11/N-12	HAWAII INDIVIDUAL INCOME TAX RETURN (PACKET)
FORM N-13	HAWAII INDIVIDUAL INCOME TAX RETURN (PACKET)
FORM N-15	NONRESIDENT INDIVIDUAL INCOME TAX RETURN (PACKET)
FORM N-160	POSTCARDS
FORM N-161	COVER PACKET POSTCARDS

will be received up to the time bids will be opened at 10:30 a.m. on April 28, 2003

at the Department of Taxation, Administrative Services Office, Princess Ruth Keelikolani Building, Room 217, 2nd floor, 830 Punchbowl Street, Honolulu, Hawaii.

All bids must be made on forms obtainable at the aforesaid place and must be submitted in strict accordance with the instructions therein.

Questions relating to this bid solicitation may be directed to Mr. Isao Asada, phone 587-1501.

The Department of Taxation reserves the right to reject any or all bids and waive any defects when such rejection will be in the best interest of the public.

WARREN M. HIGASHI
Administrative Services Officer
Administrative Services Office

Date

INSTRUCTIONS TO BIDDERS

1. All bids shall be made on the Offer Form furnished by the Department of Taxation (the Department) and shall be signed by the Bidder with the Bidder's business address and telephone number. The Bidder is requested to submit bid using the Bidder's exact legal name as registered with the Department of Commerce and Consumer Affairs. NO SUBSTITUTIONS OF MATERIALS OR ITEMS NOT EXPRESSLY PROVIDED FOR IN THE SPECIAL PROVISIONS, SPECIFICATIONS, AND GENERAL CONDITIONS WILL BE CONSIDERED OR ACCEPTED.
2. A tax clearance certificate or special letter signed by both the Department and the Internal Revenue Service (the IRS), certifying that the Bidder does not owe the State of Hawaii and the IRS any delinquent taxes, penalties, or interest must be submitted with all sealed bids. Failure to submit the required tax clearance certificate or special letter will be sufficient grounds for the Department to refuse to receive or consider the prospective Bidder's bid.

The tax clearance certificate shall be obtained on the Department Tax Clearance Application Form A-6 which is available at the Department and the IRS offices located in the State of Hawaii or the Department website, and by mail or fax:

Department website (forms and information):	www.state.hi.us/tax
Department forms by fax/mail:	(808) 587-7572 1-800-222-7572

Completed tax clearance applications may be mailed to one of the district tax offices listed on the application or faxed to one of the following numbers:

IRS:	(808) 541-1976
Department:	Oahu (808) 587-1720 or (808) 587-1488
	Maui (808) 984-8522
	Kauai (808) 274-3461
	Hawaii (808) 974-6300

If mailed, out-of-state Bidders should send their application to the Department Oahu District Office.

3. Any bid which contains any erasures or alterations not properly initialed or which contains other irregularities may be rejected, if not in the best interest of the State. Any offer which constitutes a conditional bid or a counter proposal will be rejected outright.
4. The bid price shall include all applicable taxes including the Hawaii General Excise Tax (GET) and all transportation, handling, and delivery charges to the destinations indicated in the Specifications and Exhibit A, where final inspection and acceptance will be made by a duly authorized representative of the Department.

Work to be performed under this solicitation is a business activity taxable under Chapter 237, HRS, and vendors are advised that they are liable for the GET at the current 4% rate. If, however, the Bidder is a person exempt by the HRS from paying the GET and therefore not liable for the taxes on this solicitation, the Bidder shall state its tax exempt status and cite the HRS chapter or section allowing the exemption.

5. In case of error in extension of bid price, unit price shall govern.

6. All bids shall be submitted to the Administrative Services Office, Department of Taxation, Keelikolani Building, Room 217, 2nd floor, 830 Punchbowl Street, Honolulu, Hawaii 96813 (Phone: 587-1500).

Costs for developing the proposal are solely the responsibility of the Bidder, whether or not any Award results from this solicitation. The State of Hawaii shall not reimburse such costs.

All proposals become the property of the State of Hawaii.

7. Envelopes containing bids must be sealed and marked as follows:

- 1) SEALED BID FOR THE PRINTING AND DELIVERING OF NET INCOME TAX RETURNS FOR 2003
- 2) To be opened at 10:30 on April 28, 2003.
- 3) Bid submitted by:

NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: _____

SPECIAL PROVISIONS

1. **SPECIAL NOTE:** Attached to the bid proposal are the 2002 Net Income tax returns. Form N-11 and the N-12 Packets will be relatively the same except for changes in the instructions, tax rate tables, and schedules. The front and back cover, instructions, tax rate tables & schedules and index should fit within 64 pages, more/or less. There will be 24 pages of tax returns, schedules, and forms. For the N-13 Packet, the front and back cover, instructions, tax rate tables & schedules, and index should fit within 40 pages, more/or less; there will be 16 pages of tax returns, schedules, and forms. For the N-15 Package, the front and back cover, instructions, tax rate tables and schedules and index will fit within 56 pages, more/or less; there will be 20 pages of tax returns, schedules and forms. **THE SUCCESSFUL BIDDER WILL BE RESPONSIBLE TO MAKE ALL CHANGES, INSERTIONS, AND DELETIONS AS SHOWN ON THE REVISED MASTER COPIES.** The successful bidder will receive the revised hard and soft copies of the Net Income tax forms on or before October 15, 2003. The soft copy will be given as a PDF file on either 3.5" diskettes or compact discs. The hard copies of Forms N-12, N-13, and N-15 will contain highlighted areas representing the white area of the colored form. The PDF files containing Forms N-12, N-13, and N-15 will not be provided by color separations and will be black and white. See specifications for discussion on shaded areas.
2. **OCR SCAN LINES.** All payment voucher forms must have OCR-readable fields. The ink must meet a minimum Print Contrast Signal (PCS) of .60 (as measured with a MacBeth reflectance meter using Filter C for optimum performance).

All payment voucher forms must have an OCR scan line that require the use of an OCR-A-10BT, 12 pt., with kerning set to allocate 10 characters per inch. Every OCR scan line must be positioned as follows:

- ? Size of voucher must be 8.5 inches by 3.75 inches.
- ? Bottom of scan line must be located 0.50 inches from the bottom of the page.
- ? Left of scan line must be placed 0.50 inches from the left side of the page.
- ? OCR clear band area must extend the full horizontal bottom length of the page and span 0.75 inches in height. The OCR clear band area should be free of any marks or printing, other than the OCR scan line itself.
- ? There must be no printing on the reverse side of the OCR clear band area.

Field constraints used in the vouchers (e.g., amount of payment field, tax period end date field, etc.,) do not need to be recreated if values for these fields are printed in Courier font, 12 pt. All taxpayer-specific information not located on the OCR scan line must be printed in Courier font, 12 pt.

All gray shading on the payment voucher forms should be no darker than the following:

- ? Grayscale Model: Level=204;
- ? RGB Model: R=194, G=194, B=193; or
- ? CMYK Model: C=17, M=13, Y=14, K=0

Gray shading is used in the vouchers for the following:

- ? Text in upper right corner, "Do not write or staple in this space."
- ? All field constraints.
- ? PEC Labels below clear space area (SIG, PNT, INT, LBL, 008).

Each payment voucher form must be printed on the felt side (the tope side of the paper, usually recommended for best printing results).

Each payment voucher must be printed at the bottom of the page, one payment voucher form per page.

3. PROGRESS REPORTS: The successful bidder must submit a progress report indicating the date of submitting and the date of returning the proofs to:

Department of Taxation (ASO)
Attention: Isao Asada
830 Punchbowl Street, Room 217
Honolulu, Hawaii 96813-2904

4. PROOFS: Proofs with original copy, paste-ups, blue or brownlines shall be submitted to the Technical Section Supervisor, Room 219, 2nd floor. The Technical Section Supervisor reserves the right to make any changes and insertions on any printed matter from the original copy, and paste-ups, as well as the blue or brownlines.

The last day for the Department to return the approved final drafts of the proofs is November 14, 2003. It is the responsibility of the successful bidder to secure the final proof that is approved by the Department in order to meet the delivery date as specified in the Specifications and Exhibit A. Even if the successful bidder does not obtain the final approval of the drafts on the dates stated, the Department may impose the penalty for late delivery.

All bidders must submit, together with their Offer Form, a schedule showing the following:

- a. Date of submission of first proofs to the Department of Taxation (_____)
- b. Last date to return final proofs to successful bidder in order to meet delivery deadlines. (_____)

The schedule shall be considered a factor in the determination of the best qualified bidder.

5. STORAGE AND DELIVERY: All forms shall be delivered according to the conditions stated in the Specifications and EXHIBIT A (Quantities and Delivery Dates for NI Packet) attached hereto and incorporated herein. For the Oahu District Office only, the balance of forms listed on EXHIBIT A shall be stored in the successful bidder's warehouse and shall be delivered to the Taxpayer Services Branch on a request basis. There will be no more than fifteen (15) requests for delivery of tax forms between December 11, 2003 to April 20, 2004. Any tax forms that are left in the successful bidder's warehouse after April 30, 2004 will be disposed of by the successful bidder after first conferring with Annette Yamanuha (587-3267) or authorized Department personnel. The successful bidder will be responsible for charges related to storing of the tax forms, no more than fifteen (15) delivery charges from the warehouse to the Taxpayer Services Office at 830 Punchbowl Street and the disposal of tax forms after April 30, 2004. The Taxpayer Services Branch will give the successful bidder at least three (3) days notice on all delivery requests.

For the island of Oahu only, those quantities listed under "Special" in Exhibit A, the successful bidder shall deliver those packets in two deliveries: one-half of the quantity on 1/2/2004 and the second half on 1/9/2004. Should there be any deviation in quantities to be delivered, any excess forms shall be stored in the successful bidder's warehouse.

The successful bidder is responsible for delivery of the forms to offices on the neighbor islands as final delivery destinations whether by air or surface. Final delivery includes arranging pick up at piers or docks when shipment is by barge.

The successful bidder is also responsible for all deliveries to all district offices as final delivery destinations listed in Exhibit A, the exact location inside the building to be specified by the respective office and may include the stacking of forms onto shelves as directed by a department representative of each respective district office.

6. **DELIVERY OF BLANK FORMS:** Upon completion of printing, the successful bidder shall deliver twenty (20) each of all forms in this bid specifications to:
Department of Taxation
Administrative Services Office
Attn: Isao Asada
830 Punchbowl Street, Rm 217
Honolulu, HI 96813-2904
7. **PICK UP BY BANKS AND OTHER FINANCIAL INSTITUTIONS:** Banks and other financial institutions that require bulk orders of individual tax forms shall pick up their orders at the successful bidder's warehouse. The amounts of each tax form and the dates of the pickup will be coordinated with the Taxpayer Services Branch.
8. **ERROR:** Allowance for errors for all forms shall not exceed 1/4 of one percent; however, if the error of forms exceed the percentage allowed, the Director of Taxation reserves the right to penalize the printer in the amount of ONE HUNDRED DOLLARS (\$100.00) for each erroneous form.
9. **ADDITIONAL CHARGES:** The Department will not be liable for any incidental additional charges of up to 10 percent (10%) of the contract amount. In addition, the Department will only be liable for those reasonable and necessary additional charges in excess of the 10 percent (10%) incidental charge base which are approved by the Department. The Contractor must submit a breakdown of these additional charges to the Department.
10. **PAYMENT:** Upon delivery of the Net Income Tax Returns to the Department, a check of ninety-five percent (95%) of the contract price will be issued within a period of thirty (30) days. An amount equal to five percent (5%) of the contract award will be withheld pending final acceptance of the work performed. Upon satisfactory completion of the work and upon acceptance by the Department of the work herein to be performed and upon filing by the Contractor with the Department a tax clearance from the State Director of Taxation and the IRS stating that all delinquent taxes levied or accrued have been paid, the amount withheld shall be released to the Contractor. The total amount to be paid will, however, be subject to any penalties that may be imposed by the Department.
11. **RE-EXECUTION OF WORK:** The Contractor shall re-execute any work that fails to conform to the requirements of the contract appearing during the course of the work and shall immediately remedy any defects due to faulty workmanship by the Contractor.
12. **TERM OF CONTRACT:** The Contractor shall enter into a contract for the printing and delivering of NET INCOME TAX RETURNS FOR 2003 for a twelve (12) month period commencing with the award date of this contract.
13. **OPTION TO RENEW:** Unless terminated, the contract may be extended for not more than two (2) additional twelve (12) month periods without the necessity of rebidding, upon mutual agreement in writing at least thirty (30) days prior to expiration.

Should the Department renew this contract for one (1) or both optional periods, the price will be increased or decreased for each twelve (12) month period (January 1 through December 31) based on the consumer price index as published by the Department of Labor.

14. CONTRACT EXECUTION: The successful bidder shall be required to enter into a formal written contract. No performance bond will be required.

Pursuant to Hawaii Administrative Rules §3-122-102, no contract awarded through competitive sealed bidding shall be binding or of any force and effect without an endorsement by the respective chief financial officer, as the case may be, that there is an appropriation or balance of an appropriation over and above all outstanding contracts sufficient to cover the amount required by this contract.

The Department will issue a notice to proceed, which may be in the form of the contract specifying the commencement date. Any work performed by the successful bidder prior to receipt of a notice to proceed on a fully executed copy of the contract shall be at the successful bidder's own risk and expense. The State is not and shall not be liable for any work, contract costs, expenses, loss of profits or damages whatsoever incurred by the successful bidder prior to the contract commencement date.

15. LIQUIDATED DAMAGES: Refer to item 9 of the General Conditions. Liquidated damages shall be assessed in the amount of ONE HUNDRED AND NO/100 DOLLARS (\$100.00) for each and every calendar day the Contractor fails to perform in whole or in part any of his obligations specified herein.

16. CONFIDENTIALITY OF TAX INFORMATION:

General Provision No. 24a. is hereby deleted.

The Contractor shall be responsible for the security and confidentiality of any and all tax documents and information. The Contractor fully understands it is unlawful to make known information provided by the Department, including, but not limited to, information imparted by any tax return or estimate so made or to permit tax information, including, but not limited to, information imparted by any tax return or record to be seen or examined by any unauthorized person or to make copies of tax information under either the Internal Revenue Code of 1986, as amended (26 U.S.C.), or Hawaii law. Any breach of this provision shall be cause for termination of the contract and shall subject the Contractor, its employees, agents, and subcontractors to prosecution as provided by federal and state law.

Any taxpayer confidential information received from the Department will not be electronically transmitted via e-mail or facsimile (fax) between the Department and the Contractor and any outside specialists or other entities engaged by either party.

The Contractor shall return all tax documents and information to the Department with its tax clearance certificate before final payment can be made.

PRINTING AND DELIVERING OF
NET INCOME TAX RETURNS FOR 2003
FOR
THE DEPARTMENT OF TAXATION
IFB No. DOTAX-IFB-FY-03-5

Honorable Kurt Kawafuchi
Director of Taxation
State of Hawaii
830 Punchbowl Street, Room 221
Honolulu, Hawaii 96813-2904

Sir:

This bid is made for the printing and delivering to the State of Hawaii, Department of Taxation at the places specified, the items indicated in the Offer Form in accordance with the Specifications attached hereto and made a part hereof.

This bid is made on behalf of:

and no others. Evidence of authority to submit this bid is herewith furnished. This bid is made without collusion on the part of any person, firm, or corporation mentioned above, and no official or employee of the government is directly or indirectly interested in this bid or in the supplies or work to which it relates or in any portion of the profits thereof.

FOR THE PRINTING AND DELIVERING OF NET INCOME TAX RETURNS FOR 2003

The following bid is hereby submitted:

For the sum of: _____ DOLLARS

(\$_____).

Detailed pricing:

	TOTAL QTY.	COST PER BOOKLET	TOTAL COST
NET INCOME FORMS			
N-11/N-12 PACKETS - WITH FORM N-161 & ENVELOPES	234,000		
N-11/N-12 PACKETS - NO LABELS/NO RETURN ENVELOPES	100,000		
N-160 POSTCARDS	230,000		
N-13 PACKETS - WITH FORM N-161 & ENVELOPES	43,300		
N-13 PACKETS - NO LABELS/NO RETURN ENVELOPES	72,500		
N-160 POSTCARDS	7,200		
N-15 PACKETS - WITH FORM N-161 & ENVELOPES	6,000		
N-15 PACKETS - NO LABELS/NO RETURN ENVELOPES	69,000		
TOTALS	826,200		

The undersigned states that the undersigned has carefully read and understands the terms and conditions specified in the Special Provisions, Specifications, and General Conditions attached hereto, and by reference made a part hereof and available upon request; and hereby submits the following offer to perform the work specified herein, all in accordance with the true intent and meaning thereof.

The undersigned further understands and agrees that by submitting this offer, he/she is declaring his/her offer is not in violation of Chapter 84, Hawaii Revised Statutes, concerning prohibited state contracts; and if awarded the Contract, any services performed will be in accordance with §103-55, HRS.

It is also strictly understood that on such items which the State is exempt from Federal Excise Tax under the Revenue Act of 1943, the bid price shall not include such tax. On such items, an exemption certificate will be furnished to the successful bidder for the use by the manufacturer or manufacturers of each such article in obtaining such exemption.

All work to be performed in the State of _____. If the work cannot be performed within the State of Hawaii or the lowest price which such work can be procured within the State exceeds the bid of a mainland manufacturer of such items by fifteen percent, the work or any part thereof so affected may be performed outside the state (Hawaii Administrative Rules §3-124-11 and §3-124-12).

Enclosed with this bid is a list of the names, addresses, and the scope of the work to be performed by all subcontractors engaged by the bidder. Also included is a list of all locations where work is to be performed.

It is expressly understood that the Director of Taxation reserves the right to accept or reject any or all bids for any or all items of the Bid and that he may waive any defect when such waiver will be in the best interest of the public. It is further understood that any Bid which constitutes a conditional bid or a counter proposal will be rejected outright.

Respectfully submitted,

Date: _____

Exact Legal Name of Bidder

Telephone No.: _____

Authorized Signature

Fax No.: _____

Title

Payment address, if other than
street address at right:

Street Address

City, State, Zip Code

Hawaii General Excise Tax License I.D. No.: _____

Social Security or Federal I.D. No.: _____

If Bidder shown above is a "dba" or a "division" of a corporation, furnish the exact legal name of the corporation under which the contract, if awarded, will be executed:

Bidder is: ___ Individual ___ Partnership ___ Corporation ___ Joint Venture

State of incorporation: Hawaii _____ *Other _____

*If "other", is corporate seal available in Hawaii? ___ Yes ___ No.

SPECIFICATIONS

FOR

N-11/N-12	PACKET
N-13	PACKET
N-15	PACKET
N-160	POSTCARDS
N-161	COVER PACKET POSTCARDS
WIKI WIKI VOTER REGISTRATION FORM	

SPECIFICATIONS FOR HAWAII INDIVIDUAL NET INCOME TAX RETURN N-11/N-12 PACKET

1. OVERALL SIZE: 8-1/2" x 11"
TORN OUT SIZE: 8-1/2" x 11" (FORMS AND SCHEDULES ONLY)
2. PAPER STOCK:
 - a) Instructions: Between 30#-32# Newsprint, white, or 20# bond, white
 - b) Form N-11: 50# white wove
 - Form N-12: 50# white wove
 - Schedule X: 50# white wove
 - Form N-101A: 50# white wove
 - Form N-200V: 50# white wove
 - Schedule CR: 50# white wove
3. COLORS OF INK:
 - a) Cover and Instruction Sheets:
All printing in black ink.
 - b) Forms and schedules:
 - Forms N-12: Face and back shall be printed Pantone #354 10% SCREENED GREEN TINT), EXCEPT shaded areas shall remain white. Printing of text all in black ink. Reverse printing in dark black ink with white lettering.
 - Forms N-11, N-101A & Sch. X: All printing in black ink. OCR scan line shall be printed as specified.
 - Form N-200V: OCR scan line shall be printed as specified.
 - Schedule CR: All printing in black ink.
4. NUMBER OF PAGES: Printer to condense booklet within 64 or less pages or more as needed.
 - a) Cover and Instructions
 - b) 2 Sets each of Form N-11
 - c) 2 Sets each of Form N-12
 - d) 2 Sets each of Schedule X
 - e) 2 Sets each of Form N-101A
 - f) 2 Sets each of Form N-200V
 - g) 2 Sets each of Schedule CR
 - f) Sets of Tax Tables and Tax Rate Schedules
 - g) 1 Set of printed text to be determined later
 - h) A self-addressed return envelope (only for packets to be mailed out)
5. COMPOSITION: Printer to typeset an entire copy for uniformity and quality.
(For Cover & Instructions, All Forms & Schedule, Tax Tables, Rate Schedules, & Index to Instructions)
 - a) The type of printing shall be set in bold, light, medium, and outline print. It should be noted that the printing of the form should be on both sides only if it is shown on the sample copy.
 - b) The headings and subheadings shall be set in caps and lower case.
 - c) Futura Demi-bold type style or equivalent type for clarity and easy reading
 - d) Each section of the instructions shall run in continuity so that the subject will be easier to follow.
 - e) Center the contents of the form for equal margins.
 - f) The contents of the form should be reset in a form so that each of the

instructions is continuous vertically from the top of the page to the bottom without break.

- g) Arrange vertical spacing for each line so that it will correspond to the spacing of the typewriter when each space is advanced to the next line.
- h) Indicate reverse printing, symbols, ballot boxes, dotted lines, and crosshatch marks.
- h) The areas that are shaded in yellow shall remain white

6. BINDERY STYLE:

a) Gluing:

The gluing method of binding the sheets together must be secured enough so that the sheets will NOT COME APART during delivery and distribution and when opened for use.

or

b) Side-Stitch

Binding of 2 staples to be stapled equally apart from each other using heavy duty staples with leg lengths that will firmly secure the number of sheets in each packet so that they will not come apart during delivery and distribution.

If any packet is returned to the Department due to faulty binding, the Contractor shall reissue new packet(s) using first class postage, all at no cost to the Department.

7. PERFORATIONS:

a) Form N-11, N-12, Schedule X, Forms N-101A and N-200V, & Sch CR : Perforated sheets shall be able to snap apart easily.

b) DO NOT PERFORATE: COVER AND ALL INSTRUCTION SHEETS, TAX TABLES AND RATE SHEETS SHALL REMAIN INTACT IN THE PACKET.

8. REGISTRATION:

All parts of the forms shall be KEPT IN COMPLETE ALIGNMENT WITH EACH OTHER.

9. FORM N-161
COVER PACKET
POSTCARD
WITH PEEL-OFF
LABELS (for mail
outs only)

a) Size: 6-1/8" x 14-1/2" folded to 6-1/8" x 4" with 4 panels, 3 folds (as per sample)

b) Paper Stock: 100# white tag

c) Color Of Ink: Black

d) Labels: 1) Size: 1-1/4" x 4"
2) Peel-off label with taxpayers' names, addresses, and social security numbers shall be adhered onto the inner panel and glued to ensure the confidentiality of taxpayers' data.

e) Taxpayers' Data The Department will provide the successful bidder with taxpayers' names, addresses, and social security numbers on CDs in ASCII format. File record layout shall also be provided to the successful bidder.

1) Date of submission of CDs to Contractor:
November 3, 2003, from Mr. Warren Higashi of the Department's Administrative Services Office (ph 587-1500)

f) Front Panel: 1) Imprint PRSRT STD indicia and Department's return address.

- 2) Inkjet taxpayers' names and addresses.
g) Bindery: Saddle stitch on booklet spine (as per sample).
h) Text: As per sample.

10. POSTAL REQUIREMENTS: Packets must meet postal requirements for presorted standard mailing if Contractor uses Presorted Standard Permit No. 481.
PRSRT STD
U.S. Postage
PAID
Honolulu, Hawaii
Permit No. 481

11. ENVELOPES:
A. Stock: 24# white wove or equivalent
B. Size: 4-1/2" x 9-1/2"
C. Composition: The reply envelope may be inserted by either folding the envelope over the spine between the staples of the N-11/12 packet; or by attaching the envelope to the form by the gluing method.
D. Quantity: 234,000 (to be inserted into those N-11/12 packets that will be mailed out to taxpayers - see Exhibit A under "LABELS QTY")
E. NOTE TO BIDDERS: Imperative that one hundred (100) sample envelopes be submitted for testing on the following four (4) mail processing machines:
a) Docutronix Extractor Model 2001
b) Pitney Bowes Model 1190
c) Omaton Model 102
d) Opex Model 50
Review of bid will be determined mainly on cost.
Envelope must meet the CHECKLIST EVALUATION TEST.
Previous experience with unsatisfactory envelopes caused the Department of Taxation valuable time taping and mending tax returns cut or shredded during mail processing.
Envelopes must be acceptable and able to be opened without incident by the above four mail machines.
F. The self-addressed return envelope shall have the following mailing address for the following district offices:

<u>District Offices</u>	<u>Mailing Address on Return Envelope</u>
Oahu District Office (Honolulu City & County)	DEPARTMENT OF TAXATION OAHU DISTRICT OFFICE PO BOX 3559 HONOLULU, HI 96811-3559
Maui District Office (Maui & Kalawao Counties)	DEPARTMENT OF TAXATION MAUI DISTRICT OFFICE PO BOX 913 WAILUKU, HI 96793-0913
Hawaii District Office (Hawaii County)	DEPARTMENT OF TAXATION HAWAII DISTRICT OFFICE PO BOX 1377 HILO, HI 96721-1377

Kauai District Office
(Kauai County)

DEPARTMENT OF TAXATION
KAUAI DISTRICT OFFICE
PO BOX 1688
LIHUE, HI 96766-5688

12. QUANTITIES & DELIVERY INSTRUCTIONS: SEE EXHIBIT A.
Balance of N-11/N-12 packets that are not used for the imprinted labels for Maui, Hawaii, and Kauai District Offices shall be delivered to the respective district offices as shown on EXHIBIT A after all mailing labels have been affixed. For the Oahu District Office, the balance of N-11/N-12 Packets that are not used for the imprinted labels shall be delivered according to EXHIBIT A.
13. BUNDLING OF N-12 PACKETS: 50
14. SORTING AND BUNDLING PROCEDURES All Presort Standard mail shall be sorted by ZIP CODE + 4 and bundled with strong twine. Bundling and sorting procedures must comply with U.S. Postal regulations set forth by the U.S.P.S.
15. DELIVERY DATE & INSTRUCTIONS: ALL 2003 N-11/N-12 PACKETS WITH PRINTED LABELS AND SELF-ADDRESSED RETURN ENVELOPES MUST BE COMPLETED AND DELIVERED TO THE PLACE AND ADDRESS NOTED BELOW:
JANUARY 7, 2004
TO: BULK RATE SECTION MAIN POST OFFICE
EAST PLATFORM
RODGERS BLVD.
HONOLULU, HI 96820

SPECIFICATIONS FOR HAWAII NET INCOME TAX RETURN N-13 PACKET

1. OVERALL SIZE: 8-1/2" x 11"
TORN OUT SIZE: 8-1/2" X 11" (FORMS N-13, SCHEDULE X, FORM N-101A, and Sample Copy N-13).
2. PAPER STOCK: a) INSTRUCTIONS: Between 30#-32# Newsprint, white or 20# bond, white
b) FORM N-13: 50# white wove
c) SCHEDULE X: 50# white wove
d) FORM N-101A: 50# white wove
d) FORM N-200V: 50# white wove
3. COLORS OF INK: a) Cover & Instructions:
All printing in black ink as shown on sample.
b) Forms and schedules:
Form N-13: Face and back shall be printed PANTONE #300U (10% SCREENED BLUE TINT), EXCEPT shaded areas shall remain white. Printing of text all in black ink. Reverse printing in dark black ink with white lettering.
Sample Copy N-13: All printing in black ink.
Schedule X: All printing in black ink.

Form N-101A: All printing in black ink. OCR scan line shall be printed as specified.

Form N-200V: All printing in black ink. OCR scan line shall be printed as specified.

4. NUMBER OF PAGES: PRINTER TO CONDENSE BOOKLET WITHIN 40 OR LESS PAGES OR MORE AS NEEDED.
 - a) COVER AND INSTRUCTIONS
 - b) 2 SETS EACH OF FORM N-13
 - c) 2 SETS EACH OF SCHEDULE X
 - d) 2 SETS EACH OF FORM N-101A
 - e) 2 SETS EACH OF FORM N-200V
 - f) 1 SHEET OF SAMPLE COPY N-13
 - g) SETS OF TAX TABLES
 - h) A SELF-ADDRESSED RETURN ENVELOPE (for mail out packets)

5. COMPOSITION: (For Cover & Instructions, Forms, Tax Tables & Sample Copy N-13 & INDEX INSTRUCCION). PRINTER TO TYPESET AN ENTIRE COPY FOR UNIFORMITY & QUALITY.
 - a) The type of printing shall be set in Bold-face, light and medium, and outlined print. It should be noted that the printing of the form should be on both sides only if it is shown on the sample.
 - b) The headings and subheadings shall be set in CAPS and lower case, respectively.
 - c) Futura Demi-bold type style or equivalent type for clarity and easy reading.
 - d) Each section of the instructions shall run in continuity so that the subject will be easier to follow.
 - e) Center the contents of the form for equal margins.
 - f) The contents of the form should be reset in a form so that each of the instructions is continuous vertically from the top of the page to the bottom without break.
 - g) Indicate reverse printing, symbols ballot boxes, dotted lines and crosshatch marks.
 - h) The areas that are shaded shall remain white.
 - i) FORM N-13, SCHEDULE X, FORM N-101A, FORM N-200V: Arrange vertical spacing for each line so that it will correspond to the spacing of the typewriter when each space is advanced to the next line.

6. BINDERY STYLE:
 - a) Gluing: The gluing method of binding the sheets together must be secured enough so that the sheets will NOT COME APART during delivery and distribution and when opened for use.
 - or
 - b) Side-Stitch Binding of 2 staples to be stapled equally apart from each other using heavy duty staples with leg lengths that will firmly secure the number of sheets in each packet so that they will not come apart during delivery and distribution.

If any packet is returned to the Department due to faulty binding, the Contractor shall reissue new packet(s) using first class postage, all at no cost to the Department.

7. PERFORATIONS:
 - a) FORM N-13, SCHEDULE X, FORM N-101A, FORM N-200V:
Perforated sheets must be able to snap apart easily.
 - b) DO NOT PERFORATE: COVER, ALL INSTRUCTION SHEETS, SAMPLE COPY N-13, AND TAX TABLES SHALL REMAIN INTACT IN THE PACKET.

8. REGISTRATION: All parts of the forms shall be KEPT IN COMPLETE ALIGNMENT WITH EACH OTHER.

9. FORM N-161
COVER PACKET
POSTCARD
WITH PEEL-OFF
LABELS (for mail
outs only)
 - a) Size: 6-1/8" x 14-1/2" folded to 6-1/8" x 4" with 4 panels, 3 folds (as per sample)
 - b) Paper Stock: 100# white tag
 - c) Color Of Ink: Black
 - d) Labels:
 - 1) Size: 1-1/4" x 4"
 - 2) Peel-off label with taxpayers' names, addresses, and social security numbers shall be adhered onto the inner panel and glued to ensure the confidentiality of taxpayers' data.
 - e) Taxpayers' Data: The Department will provide the successful bidder with taxpayers' names, addresses, and social security numbers on CDs in ASCII format. File record layout shall also be provided to the successful bidder.
 - 1) Date of submission of CDs to Contractor:
November 3, 2003, from Mr. Warren Higashi of the Department's Administrative Services Office (ph 587-1500)
 - f) Front Panel:
 - 1) Imprint PRSRT STD indicia and Department's return address.
 - 2) Inkjet taxpayers' names and addresses.
 - g) Bindery: Saddle stitch on booklet spine (as per sample).
 - h) Text: As per sample.

10. POSTAL REQUIREMENTS: Packets must meet postal requirements for presorted standard mailing if Contractor uses Department's Permit No. 481.
 PRSRT STD
 U.S. Postage
 PAID
 Honolulu, Hawaii
 Permit No. 481

11. ENVELOPES:
 - A. Stock: 24# white wove or equivalent
 - B. Size: 4-1/2" x 9-1/2"
 - C. Composition: The reply envelope may be inserted by either folding the envelope over the spine between the staples of the N-13 packet; or by attaching the envelope to the form by gluing method.
 - D. Quantity: 43,300 (to be inserted into N-13 packets that will be mailed out to taxpayers - see Exhibit A under "LABELS QTY").
 - E. NOTE TO BIDDERS: Imperative that one hundred (100) sample envelopes be submitted for testing on the following four (4) mail processing machines:
 - 1) Docutronix Extractor Model 2001

- 2) Pitney Bowes Model 1190
- 3) Omaton Model 102
- 4) Opex Model 50

Review of bid will be determined mainly on cost. Envelopes must meet the CHECKLIST EVALUATION TEST.

Previous experience with unsatisfactory envelopes caused the Department of Taxation to spend valuable time on taping and mending tax returns cut or shredded during mail processing. Envelopes must be acceptable and able to be opened without incident by the above four mail machines.

F. The self-addressed return envelope shall have the following mailing address for the following district offices:

<u>District Offices</u>	<u>Mailing Address on Return Envelope</u>
Oahu District Office (Honolulu City & County)	DEPARTMENT OF TAXATION OAHU DISTRICT OFFICE PO BOX 3559 HONOLULU, HI 96811-3559
Maui District Office (Maui & Kalawao Counties)	DEPARTMENT OF TAXATION MAUI DISTRICT OFFICE PO BOX 913 WAILUKU, HI 96793-0913
Hawaii District Office (Hawaii County)	DEPARTMENT OF TAXATION HAWAII DISTRICT OFFICE PO BOX 1377 HILO, HI 96721-1377
Kauai District Office (Kauai County)	DEPARTMENT OF TAXATION KAUAI DISTRICT OFFICE PO BOX 1688 LIHUE, HI 96766-5688

12. QUANTITIES & DELIVERY INSTRUCTIONS: SEE EXHIBIT A.
Balance of N13 packets that are not used for the imprinted labels for Maui, Hawaii, and Kauai District Offices shall be delivered to the respective district offices as shown on EXHIBIT A after all the mailing labels have been affixed. For the Oahu District Office, the balance of N-13 packets that are not used for the imprinted labels shall be delivered according to EXHIBIT A.
13. BUNDLING OF N-13 PACKETS: 100
14. SORTING AND BUNDLING PROCEDURES: All Bulk Rate shall be sorted by ZIP CODE + 4 and bundled with strong twine. Bundling and sorting procedures must comply with U.S. Postal Regulations set forth by the U.S.P.S.
12. DELIVERY DATE & INSTRUCTIONS: ALL 2003 N-13 PACKET WITH PRINTED LABELS AND SELF-ADDRESSED RETURN ENVELOPES MUST BE COMPLETED AND DELIVERED TO THE PLACE AND ADDRESS NOTED BELOW:

JANUARY 7, 2004
TO: BULK RATE SECTION MAIN POST OFFICE
EAST PLATFORM
RODGERS BLVD.
HONOLULU, HI 96820

SPECIFICATIONS FOR FORM N-15 NONRESIDENT INDIVIDUAL INCOME TAX RETURN (PACKET)

1. OVERALL SIZE: 8-1/2" x 11"
TORN-OUT SIZE: 8-1/2" x 11" (FORMS N-15, N-101A, N-200V and SCHEDULES CR, X)
2. PAPER STOCK:
 - a) INSTRUCTIONS: Between 30#-32# Newsprint, white, or 20# bond, white.
 - b) FORMS N-15, N-101A & N200V: 50# bond, white
 - c) SCHEDULES CR AND X: 50# bond, white
3. COLORS OF INK:
 - a) Cover and Instructions:
All printing in black ink as shown on sample.
 - b) Forms and schedules:
 - Form N-15: Face and back shall be printed PANTONE #199U (10% SCREENED PINK TINT), EXCEPT shaded areas shall remain white. Printing of text shall be in black ink. Reverse printing in dark black ink with white lettering.
 - Schedule CR: Shall be printed in black ink.
 - Schedule X: Shall be printed in black ink.
 - Form N-101A: Shall be printed in black ink. OCR scan line must be printed as specified.
 - Form N-200V: Shall be printed in black ink. OCR scan line must be printed as specified.
4. NUMBER OF PAGES: PRINTER TO CONDENSE BOOKLET WITHIN 56 OR LESS PAGES; OR MORE AS NEEDED.
 - a) COVER AND INSTRUCTIONS
 - b) 2 SETS OF FORM N-15
 - c) 2 SETS OF SCHEDULE CR
 - d) 2 SETS OF SCHEDULE X
 - e) 2 SETS OF FORM N-101A
 - f) 2 SETS OF FORM N-200V
5. COMPOSITION: PRINTER TO TYPESET AN ENTIRE COPY FOR UNIFORMITY AND QUALITY.
(Cover and Instructions, Forms and Schedules)
 - a) The type of printing shall be set in bold, light, medium, and outline print. It should be noted that the printing of the form should be on both sides only if it is shown on the sample.
 - b) The headings and subheadings shall be set in caps and lower case, respectively.
 - c) Futura Demi-bold type style or equivalent type for clarity and easy reading.
 - d) Each section of the instructions to run in continuity so that the subject will be easier to follow.
 - e) Center the contents of the form for equal margins.

- f) The contents of the form should be reset in a form so that each of the instructions is continuous vertically from the top of the page to the bottom without break.
- g) FORM N-15, N-101A, and SCHEDULES CR, X and FORM N-200V
Arrange vertical spacing for each line so that it will correspond to the spacing of the typewriter when each space is advanced to the next line.

6. BINDERY STYLE:

a) Gluing:

The gluing method of binding the sheets together must be secured enough so that the sheets will NOT COME APART during delivery and distribution and when opened for use.

or

b) Side-Stitch

Binding of 2 staples to be stapled equally apart from each other using heavy duty staples with leg lengths that will firmly secure the number of sheets in each packet so that they will not come apart during delivery and distribution.

If any packet is returned to the Department due to faulty binding, the Contractor shall reissue new packet(s) using first class postage, all at no cost to the Department.

7. PERFORATIONS:

a) FORMS N-15, N-101A, N-200V and SCHEDULES CR, X:

Perforated sheets must be able to snap apart easily.

b) DO NOT PERFORATE: COVER AND ALL INSTRUCTION SHEETS, & TAX TABLES SHALL REMAIN INTACT IN PACKET.

8. REGISTRATION:

All parts of the forms shall be KEPT IN COMPLETE ALIGNMENT WITH EACH OTHER.

9. FORM N-161
COVER PACKET
POSTCARD
WITH PEEL-OFF
LABELS (for mail
outs only)

a) Size: 6-1/8" x 14-1/2" folded to 6-1/8" x 4" with 4 panels, 3 folds (as per sample)

b) Paper Stock: 100# white tag

c) Color Of Ink: Black

d) Labels: 1) Size: 1-1/4" x 4"
2) Peel-off label with taxpayers' names, addresses, and social security numbers shall be adhered onto the inner panel and glued to ensure the confidentiality of taxpayers' data.

e) Taxpayers' Data The Department will provide the successful bidder with taxpayers' names, addresses, and social security numbers on CDs in ASCII format. File record layout shall also be provided to the successful bidder.

1) Date of submission of CDs to Contractor:

November 3, 2003, from Mr. Warren Higashi of the Department's Administrative Services Office (ph 587-1500)

f) Front Panel: 1) Imprint PRSRT STD indicia and Department's return address.

2) Inkjet taxpayers' names and addresses.

g) Bindery: Saddle stitch on booklet spine (as per sample).

h) Text: As per sample.

10. POSTAL REQUIREMENTS: Packets must meet postal requirements for presorted standard mailing if Contractor uses Department's Permit No. 481.
PRSRT STD
U.S. Postage
PAID
Honolulu, Hawaii
Permit No. 481

11. ENVELOPES:
- A. Stock: 24# white wove or equivalent
- B. Size: 4-1/2" x 9-1/2"
- C. Composition: The reply envelope may be inserted by either folding the envelope over the spine between the staples of the N-15 packet; or by attaching the envelope to the form by gluing method.
- D. Quantity: 4,500 (to be inserted into those N-15 packets that will be mailed out to taxpayers - see Exhibit A under "LABELS QTY").
- E. NOTE TO BIDDERS: Imperative that one hundred (100) sample envelopes be submitted for testing on the following four (4) mail processing machines:
- 1) Docutronix Extractor Model 2001
 - 2) Pitney Bowes Model 1190
 - 3) Omaton Model 102
 - 4) Opex Model 50
- Review of bid will be determined mainly on cost. Envelopes must meet the CHECKLIST EVALUATION TEST.
Previous experience with unsatisfactory envelopes caused the Department of Taxation valuable time taping and mending tax returns cut or shredded during mail processing.
Envelopes must be acceptable and able to be opened without incident by the above four mail machines.
- F. The self-addressed return envelope shall have the following mailing address for the following district offices:

<u>District Offices</u>	<u>Mailing Address on Return Envelope</u>
Oahu District Office (Honolulu City & County)	DEPARTMENT OF TAXATION OAHU DISTRICT OFFICE PO BOX 3559 HONOLULU, HI 96811-3559
Maui District Office (Maui & Kalawao Counties)	DEPARTMENT OF TAXATION MAUI DISTRICT OFFICE PO BOX 913 WAILUKU, HI 96793-0913
Hawaii District Office (Hawaii County)	DEPARTMENT OF TAXATION HAWAII DISTRICT OFFICE PO BOX 1377 HILO, HI 96721-1377

Kauai District Office
(Kauai County)

DEPARTMENT OF TAXATION
KAUAI DISTRICT OFFICE
PO BOX 1688
LIHUE, HI 96766-5688

12. QUANTITIES & DELIVERY SEE EXHIBIT A.
Balance of N-15 Packets that are not used for the imprinted labels for Maui, Hawaii and Kauai District Offices shall be delivered to the respective district offices as shown on EXHIBIT A after all mailing labels have been affixed. For the Oahu District Office, the balance of N-15 Packets that are not used for the imprinted labels shall be delivered according to EXHIBIT A.
13. BUNDLING OF N-15 PACKETS: 100
14. SORTING AND BUNDLING PROCEDURES: All Bulk Rate shall be sorted by ZIP CODE + 4 and bundled with strong twine. Bundling and sorting procedures must comply with U.S. Postal Regulations set forth by the U.S.P.S.
15. DELIVERY DATE & INSTRUCTIONS: ALL 2003 N-15 PACKET WITH PRINTED LABELS AND SELF-ADDRESSED RETURN ENVELOPES MUST BE COMPLETED AND DELIVERED TO THE PLACE AND ADDRESS NOTED BELOW:
JANUARY 7, 2004
TO: BULK RATE SECTION MAIN POST OFFICE
EAST PLATFORM
RODGERS BLVD.
HONOLULU, HI 96820

SPECIFICATIONS FOR HAWAII INDIVIDUAL NET INCOME TAX RETURN
N-160 POST CARDS:

1. CARDS: Cards must be able to go through the U.S. Postal Service's Optical Character Reader machines, and Bar Code Sorting machines without causing frequent jams.
- Sides of each mail piece shall be securely glued to ensure confidentiality of taxpayers' data and to ensure that each mail piece does not come apart in the mailing process.**
2. SIZE: 6" x 10-3/8" folded to 6" x 3-1/2" (3 panels, 2 folds)
3. STOCK: 100# white tag
4. INK: Black (front and back)
5. QUANTITY: 230,000 (Quantities are estimates)
6. COMPOSITION: The following shall be imprinted on the front of each mail piece:
a) The Department's return address:
State of Hawaii
Department of Taxation
PO Box 259

Honolulu, HI 96809
b) Indicia: PRSRT STD
U.S. Postage
PAID
Honolulu, Hawaii
Permit No. 481

(Contractor must meet postal requirements for presorted
standard mailing if the above permit is to be used)

Other text as per sample.

7. LABELS: 1-1/4" x 4" peel-off label shall be adhered onto the inner panel. Contractor shall inkjet taxpayers' names, addresses, and social security numbers onto labels. The gluing method must be secure enough so that the labels will not come apart in the mailing process.
a) Date of submission of CDs to Contractor: November 3, 2003, from Mr. Warren Higashi of the Department's Administrative Services Office (ph: 587-1500).
8. DISTRIBUTION: All post cards shall be mailed to taxpayers' addresses from Contractor's facility on January 7, 2004.
9. UPON OUR REQUEST: Twenty-Five (25) post cards without labels shall be delivered to the following address:
Department of Taxation
Technical Section Supervisor
Attention: Roni Matsuda
830 Punchbowl St., Room 219
Honolulu, HI 96813

SPECIFICATIONS FOR THE WIKI WIKI VOTER REGISTRATION FORM INSERT IN THE 2003
HAWAII INDIVIDUAL NET INCOME TAX RETURN N-12 AND N-13 MAIL-OUT PACKETS

1. OVERALL SIZE: 8-1/2" x 11"
- TORN OUT SIZE: 8-1/2" x 11" (affidavit form)
2. PAPER STOCK:
 - a) Instructions: Between 30#-32# Newsprint, white, or 20# bond, white
 - b) Affidavit: 20# bond, white
3. COLORS OF INK: All printing in black ink.
4. NUMBER OF PAGES: Two (2)
5. COMPOSITION: The Department shall provide camera ready copies of the Instructions and Affidavit.
6. BINDERY STYLE:
 - a) Gluing: The gluing method of binding the sheets together must be secured enough so that the sheets will NOT COME APART during delivery and distribution and when opened for use.
 - or
 - b) Side-Stitch Binding of 2 staples to be stapled equally apart from each other
7. PERFORATIONS: Perforated sheets must be able to snap apart easily, when opened for use.
8. QUANTITY: 277,300 (234,000 N-11/12 mail-outs + 43,300 N-13 mail-outs)

QUANTITIES AND DELIVERY DATES FOR NET INCOME TAX RETURN PACKETS 2003

EXHIBIT A

	OAHU DISTRICT OFFICE					MAUI DIST. OFF.	HAWAII DIST. OFF.	KAUAI DIST. OFF.	DEADLINES & DELIVERY DATES				
	1st	Special	Banks	Various	TOT.								
NI PKTS	QTY.	QTY.	QTY	QTY.	QTY.	QTY.	QTY.	QTY.	TOT. QTY.	BUN- DLE	DRAFT TECH.	TAPE TO VENDOR	TO U.S. POST OFFICE
N-11/N12 PKT LABELS with N-161 Cover	176,000				176,000	23,000	24,000	11,000	234,000		10/15/03	11/3/03	1/7/04
N-12 PKT - NO LABELS No return envelope	5,000	21,000	8,000	56,000	90,000	4,000	5,000	1,000	100,000	50	10/15/03	11/3/03	
N-160 POSTCARDS	230,000				230,000	0	0	0	230,000		10/15/03		1/7/04
N-13 PKT - LABELS with N-161 Cover	31,000				31,000	4,000	6,000	2,300	43,300		10/15/03	11/3/03	1/7/04
N-13 PKT - NO LABELS No return. envelopes	5,000	22,000	5,000	31,000	63,000	3,000	5,000	1,500	72,500	100	10/15/03		
N-15 PKT - LABELS with N-161 Cover	3,500				3,500	400	450	150	4,500		10/15/03	11/3/03	1/7/04
N-15 PKT - NO LABELS No return envelopes	5,000	18,000	5,000	17,000	45,000	1,000	1,500	500	48,000	100	10/15/03		
TOTALS	455,500	61,000	18,000	104,000	638,500	35,400	41,950	16,450	732,300				
DELIVERY DATES	12/8/03	half on 1/2/04 and half on 1/9/04	See Special Prov. Item 6	Various		12/8/03	12/8/03	12/8/03					

DELIVERY INSTRUCTIONS FOR ESTIMATED INCOME TAX FORMS - DELIVER TO:

****OAHU DISTRICT OFFICE:**

Keelikolani Building
Attn: Annette Yamanuha, Acting Taxpayer Services Branch Chief
830 Punchbowl Street, Room 126
Honolulu, HI 96813-2904
Telephone No.: (808) 587-3267

****HAWAII DISTRICT OFFICE:**

State Office Building
Attn: Ronald Yabe, Chief, Hawaii Dist. Tax Manager
75 Aupuni Street, Room 101
Hilo, HI 96720-7396
Telephone No.: (808) 974-6396

****MAUI DISTRICT OFFICE:**

State Office Building
Attn: Karie Klein, Maui District Tax Manager
54 High Street, Room 208
Wailuku, HI 96793-2126
Telephone No.: (808) 984-8509

****KAUAI DISTRICT OFFICE**

State Office Building
Attn: Ernest Balderas, Chief, Kauai Dist. Tax Manager
3060 Eiwa Street, Room 105
Lihue, HI 96766-1310
Telephone No.: (808) 274-3458

****Delivery of tax forms to all district offices may require delivery to 1st, 2nd and/or 3rd floors or available space and may also require the stacking of forms on shelves.**

GENERAL CONDITIONS

Table of Contents

	<u>Page(s)</u>
1. <u>Coordination of Services by the STATE</u>	1
2. <u>Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities</u>	1
3. <u>Personnel Requirement</u>	2
4. <u>Nondiscrimination</u>	2
5. <u>Conflicts of Interest</u>	2
6. <u>Subcontracts and Assignments</u>	2
7. <u>Indemnification and Defense</u>	3
8. <u>Cost of Litigation</u>	3
9. <u>Liquidated Damages</u>	3
10. <u>State's Right of Offset</u>	4
11. <u>Disputes</u>	4
12. <u>Suspension of Contract</u>	4
13. <u>Termination for Default</u>	5
14. <u>Termination for Convenience</u>	7
15. <u>Claims Based on the Agency Procurement Officer's Actions or Omissions</u>	9
16. <u>Costs and Expenses</u>	10
17. <u>Payment Procedures: Final Payment; Tax Clearance</u>	10
18. <u>Federal Funds</u>	11
19. <u>Modifications of Contract</u>	11
20. <u>Change Order</u>	12
21. <u>Price Adjustment</u>	13

22.	<u>Variation in Quantity for Definite Quantity Contracts</u>	13
23.	<u>Changes in Cost-Reimbursement Contract</u>	13
24.	<u>Confidentiality of Material</u>	14
25.	<u>Publicity</u>	14
26.	<u>Ownership Rights and Copyright</u>	15
27.	<u>Liens and Warranties</u>	15
28.	<u>Audit of Books and Records of the CONTRACTOR</u>	15
29.	<u>Cost or Pricing Data</u>	15
30.	<u>Audit of Cost or Pricing Data</u>	15
31.	<u>Records Retention</u>	15
32.	<u>Antitrust Claims</u>	15
33.	<u>Patented Articles</u>	16
34.	<u>Governing Law</u>	16
35.	<u>Compliance with Laws</u>	16
36.	<u>Conflict between General Conditions and Procurement Rules</u>	16
37.	<u>Entire Contract</u>	16
38.	<u>Severability</u>	16
39.	<u>Waiver</u>	16

GENERAL CONDITIONS

1. Coordination of Services by the STATE. The "head of the purchasing agency," (which term includes the designee of the head of the purchasing agency), shall coordinate the services to be provided by the CONTRACTOR in order to complete the performance required in the Contract. The CONTRACTOR shall maintain communications with the head of the purchasing agency at all stages of the CONTRACTOR's work, and submit to the head of the purchasing agency for resolution any questions which may arise as to the performance of this Contract. "Purchasing agency" as used in these General Conditions means and includes any governmental body which is authorized under chapter 103D, HRS, or its implementing rules and procedures, or by way of delegation, to enter into contracts for the procurement of services.
2. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities.
 - a. In the performance of services required under this Contract, the CONTRACTOR is an "independent contractor," with the authority and responsibility to control and direct the performance and details of the work and services required under this Contract; however, the STATE shall have a general right to inspect work in progress to determine whether, in the STATE's opinion, the services are being performed by the CONTRACTOR in compliance with this Contract. Unless otherwise provided by special condition, it is understood that the STATE does not agree to use the CONTRACTOR exclusively, and that the CONTRACTOR is free to contract to provide services to other individuals or entities while under contract with the STATE.
 - b. The CONTRACTOR and the CONTRACTOR's employees and agents are not by reason of this Contract, agents or employees of the State for any purpose, and the CONTRACTOR and the CONTRACTOR's employees and agents shall not be entitled to claim or receive from the State any vacation, sick leave, retirement, workers' compensation, unemployment insurance, or other benefits provided to state employees.
 - c. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR's performance under this Contract. Furthermore, the CONTRACTOR intentionally, voluntarily, and knowingly assumes the sole and entire liability to the CONTRACTOR's employees and agents, and to any individual not a party to this, for all loss, damage, or injury caused by the CONTRACTOR, or the CONTRACTOR's employees or agents in the course of their employment.
 - d. The CONTRACTOR shall be responsible for payment of all applicable federal, state, and county taxes and fees which may become due and owing by the CONTRACTOR by reason of this Contract, including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes, and (iii) general excise taxes. The CONTRACTOR also is responsible for obtaining all licenses, permits, and certificates that may be required in order to perform this Contract.
 - e. The CONTRACTOR shall obtain a general excise tax license from the Department of Taxation, State of Hawaii, in accordance with section 237-9, HRS, and shall comply with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under state law against the CONTRACTOR have been paid and submit the same to the STATE prior to commencing any performance under this Contract. The

CONTRACTOR shall also be solely responsible for meeting all requirements necessary to obtain the tax clearance certificate required for final payment under sections 103-53 and 237-45, HRS, and paragraph 17 of these General Conditions.

- f. The CONTRACTOR is responsible for securing all employee-related insurance coverage for the CONTRACTOR and the CONTRACTOR's employees and agents that is or may be required by law, and for payment of all premiums, costs, and other liabilities associated with securing the insurance coverage.

3. Personnel Requirements.

- a. The CONTRACTOR shall secure, at the CONTRACTOR's own expense, all personnel required to perform this Contract.
- b. The CONTRACTOR shall ensure that the CONTRACTOR's employees or agents are experienced and fully qualified to engage in the activities and perform the services required under this Contract, and that all applicable licensing and operating requirements imposed or required under federal, state, or county law, and all applicable accreditation and other standards of quality generally accepted in the field of the activities of such employees and agents are complied with and satisfied.

4. Nondiscrimination. No person performing work under this Contract, including any subcontractor, employee, or agent of the CONTRACTOR, shall engage in any discrimination that is prohibited by any applicable federal, state, or county law.

5. Conflicts of Interest. The CONTRACTOR represents that neither the CONTRACTOR, nor any employee or agent of the CONTRACTOR, presently has any interest, and promises that no such interest, direct or indirect, shall be acquired, that would or might conflict in any manner or degree with the CONTRACTOR's performance under this Contract.

6. Subcontracts and Assignments. The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR's duties, obligations, or interests under this Contract and no such assignment or subcontract shall be effective unless (i) the CONTRACTOR obtains the prior written consent of the STATE and (ii) the CONTRACTOR's assignee or subcontractor submits to the STATE a tax clearance certificate from the Director of Taxation, State of the Hawaii, showing that all delinquent taxes, if any, levied or accrued under state law against the CONTRACTOR's assignee or subcontractor have been paid. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR's right to compensation under this Contract shall be effective unless and until the assignment is approved by the Comptroller of the State of Hawaii, as provided in section 40-58, HRS.

- a. Recognition of a successor in interest. When in the best interest of the State, a successor in interest may be recognized in an assignment Contract in which the

STATE, the CONTRACTOR and the assignee or transferee (hereinafter referred to as the "Assignee") agree that:

- (1) The Assignee assumes all of the CONTRACTOR's obligations;
- (2) The CONTRACTOR remains liable for all obligations under this Contract but waives all rights under this Contract as against the STATE; and

- (3) The CONTRACTOR shall continue to furnish, and the Assignee shall also furnish, all required bonds.
- b. Change of name. When the CONTRACTOR asks to change the name in which it holds this Contract with the STATE, the procurement officer of the purchasing agency (hereinafter referred to as the "Agency procurement officer") shall, upon receipt of a document acceptable or satisfactory to the Agency procurement officer indicating such change of name (for example, an amendment to the CONTRACTOR's articles of incorporation), enter into an amendment to this Contract with the CONTRACTOR to effect such a change of name. The amendment to this Contract changing the CONTRACTOR's name shall specifically indicate that no other terms and conditions of this Contract are thereby changed.
- c. Reports. All assignment Contracts and amendments to this Contract effecting changes of the CONTRACTOR's name or novations hereunder shall be reported to the CPO within thirty days of the date that the assignment Contract or amendment becomes effective.
- d. Actions affecting more than one purchasing agency. Notwithstanding the provisions of subparagraphs 6a through 6c herein, when the CONTRACTOR holds Contracts with more than one purchasing agency of the State, the assignment Contracts and the novation and change of name amendments herein authorized shall be processed only through the CPO's office.
7. Indemnification and Defense. The CONTRACTOR shall defend, indemnify, and hold harmless the State of Hawaii, the contracting agency, and their officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefore, arising out of or resulting from the acts or omissions of the CONTRACTOR or the CONTRACTOR's employees, officers, agents, or subcontractors under this Contract. The provisions of this paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Contract.
8. Cost of Litigation. In case the STATE shall, without any fault on its part, be made a party to any litigation commenced by or against the CONTRACTOR in connection with this Contract, the CONTRACTOR shall pay all costs and expenses incurred by or imposed on the STATE, including attorneys' fees.
9. Liquidated Damages. When the CONTRACTOR is given notice of delay or nonperformance as specified in paragraph 13 (Termination for Default) and fails to cure in the time specified, it is agreed the CONTRACTOR shall pay to the STATE the amount, if any, set forth in this Contract per calendar day from the date set for cure until either (i) the STATE reasonably obtains similar goods or services, or both, if the CONTRACTOR

is terminated for default, or (ii) until the CONTRACTOR provides the goods or services, or both, if the CONTRACTOR is not terminated for default. To the extent that the CONTRACTOR's delay or nonperformance is excused under paragraph 13d (Excuse for Nonperformance or Delay Performance), liquidated damages shall not be assessable against the CONTRACTOR. The CONTRACTOR shall remain liable for damages caused other than by delay.

10. State's Right of Offset. The STATE may offset against any monies or other obligations the STATE owes to the CONTRACTOR under this Contract, any amounts owed to the State of Hawaii by the CONTRACTOR under this Contract or any other Contracts or pursuant to any law or other obligation owed to the State of Hawaii by the CONTRACTOR, including, without limitation, the payment of any taxes or levies of any kind or nature. The STATE will notify the CONTRACTOR in writing of any offset and the nature of such offset. For purposes of this paragraph, amounts owed to the State of Hawaii shall not include debts or obligations which have been liquidated, agreed to by the CONTRACTOR, and are covered by an installment payment or other settlement plan approved by the State of Hawaii, provided, however, that the CONTRACTOR shall be entitled to such exclusion only to the extent that the CONTRACTOR is current with, and not delinquent on, any payments or obligations owed to the State of Hawaii under such payment or other settlement plan.
11. Disputes. Disputes shall be resolved in accordance with section 103D-703, HRS, and chapter 126, Procurement Rules, as the same may be amended from time to time.
12. Suspension of Contract. The STATE reserves the right at any time and for any reason to suspend this Contract for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.
 - a. Order to stop performance. The Agency procurement officer, may, by written order to the CONTRACTOR, at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the performance called for by this Contract. This order shall be for a specified period not exceeding sixty (60) days after the order is delivered to the CONTRACTOR, unless the parties agree to any further period. Any such order shall be identified specifically as a stop performance order issued pursuant to this section. Stop work orders shall not exceed sixty consecutive days and shall include, as appropriate: (1) A clear description of the work to be suspended; (2) Instructions as to the issuance of further orders by the CONTRACTOR for material or services; (3) Guidance as to action to be taken on subcontracts; and (4) Other instructions and suggestions to the CONTRACTOR for minimizing costs. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and suspend all performance under this Contract at the time stated, provided, however, the CONTRACTOR shall take all reasonable steps to minimize the occurrence of costs allocable to the performance covered by the order during the period of performance stoppage. Before the stop performance order expires, or within any further period to which the parties shall have agreed, the Agency procurement officer shall either:
 - (1) Cancel the stop performance order; or

- (2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this Contract.
- b. Cancellation or expiration of the order. If a stop performance order issued under this section is cancelled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONTRACTOR shall have the right to resume performance. An appropriate adjustment shall be made in the delivery schedule or Contract price, or both, and the Contract shall be modified in writing accordingly, if:
 - (1) The stop performance order results in an increase in the time required for, or in the CONTRACTOR's cost properly allocable to, the performance of any part of this Contract; and
 - (2) The CONTRACTOR asserts a claim for such an adjustment within thirty (30) days after the end of the period of performance stoppage; provided that, if the Agency procurement officer decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this Contract.
- c. Termination of stopped performance. If a stop performance order is not cancelled and the performance covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop performance order shall be allowable by adjustment or otherwise.
- d. Adjustment of price. Any adjustment in contract price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

13. Termination for Default.

- a. Default. If the CONTRACTOR refuses or fails to perform any of the provisions of this Contract with such diligence as will ensure its completion within the time specified in this Contract, or any extension thereof, otherwise fails to timely satisfy the Contract provisions, or commits any other substantial breach of this Contract, the Agency procurement officer may notify the CONTRACTOR in writing of the delay or non-performance and if not cured in ten (10) days or any longer time specified in writing by the Agency procurement officer, such officer may terminate the CONTRACTOR's right to proceed with the Contract or such part of the Contract as to which there has been delay or a failure to properly perform. In the event of termination in whole or in part the Agency procurement officer may procure similar goods or services in a manner and upon the terms deemed appropriate by the Agency procurement officer. The CONTRACTOR shall continue performance of the Contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services.
- b. CONTRACTOR's duties. Notwithstanding termination of the Contract and subject to any directions from the Agency procurement officer, the CONTRACTOR shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest.
- c. Compensation. Payment for completed goods and services delivered and accepted by the STATE shall be at the price set forth in the Contract. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the Agency procurement officer. If the parties fail to agree, the Agency procurement officer shall set an amount subject to the CONTRACTOR's rights under chapter 126, Procurement Rules. The STATE may withhold from amounts due the CONTRACTOR such sums as the Agency procurement officer deems to be necessary to protect the STATE against loss because of

outstanding liens or claims and to reimburse the STATE for the excess costs expected to be incurred by the STATE in procuring similar goods and services.

- d. Excuse for nonperformance or delayed performance. The CONTRACTOR shall not be in default by reason of any failure in performance of this Contract in accordance with its terms, including any failure by the CONTRACTOR to make progress in the prosecution of the performance hereunder which endangers such performance, if the CONTRACTOR has notified the Agency procurement officer within fifteen (15) days after the cause of the delay and the failure arises out of causes such as: acts of God; acts of a public enemy; acts of the State and any other governmental body in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failure arises out of causes similar to those set forth above, the CONTRACTOR shall not be deemed to be in default, unless the goods and services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit the CONTRACTOR to meet the requirements of the Contract. Upon request of the CONTRACTOR, the Agency procurement officer shall ascertain the facts and extent of such failure, and, if such officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the CONTRACTOR's progress and performance would have met the terms of the Contract, the delivery schedule shall be revised accordingly, subject to the rights of the STATE under this Contract. As used in this paragraph, the term "subcontractor" means subcontractor at any tier.
- e. Erroneous termination for default. If, after notice of termination of the CONTRACTOR's right to proceed under this paragraph, it is determined for any reason that the CONTRACTOR was not in default under this paragraph, or that the delay was excusable under the provisions of subparagraph 13d, "Excuse for nonperformance or delayed performance," the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to such provision.
- f. Additional rights and remedies. The rights and remedies provided in this paragraph are in addition to any other rights and remedies provided by law or under this Contract.

14. Termination for Convenience.

- a. Termination. The Agency procurement officer may, when the interests of the STATE so require, terminate this Contract in whole or in part, for the convenience of the STATE. The Agency procurement officer shall give written notice of the termination to the CONTRACTOR specifying the part of the Contract terminated and when termination becomes effective.
- b. CONTRACTOR's obligations. The CONTRACTOR shall incur no further obligations in connection with the terminated performance and on the date(s) set in the notice of termination the CONTRACTOR will stop performance to the extent specified. The CONTRACTOR shall also terminate outstanding orders and subcontracts as they relate to the terminated performance. The CONTRACTOR shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated performance. The Agency procurement officer may direct the CONTRACTOR to assign the CONTRACTOR's right, title, and interest

under terminated orders or subcontracts to the STATE. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as necessary to do so.

- c. Right to goods and work product. The Agency procurement officer may require the CONTRACTOR to transfer title and deliver to the STATE in the manner and to the extent directed by the Agency procurement officer:

- (1) Any completed goods or work product; and
- (2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the CONTRACTOR has specifically produced or specially acquired for the performance of the terminated part of this Contract.

The CONTRACTOR shall, upon direction of the Agency procurement officer, protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest. If the Agency procurement officer does not exercise this right, the CONTRACTOR shall use best efforts to sell such goods and manufacturing materials. Use of this paragraph in no way implies that the STATE has breached the Contract by exercise of the termination for convenience provision.

- d. Compensation.

- (1) The CONTRACTOR shall submit a termination claim specifying the amounts due because of the termination for convenience together with the cost or pricing data, submitted to the extent required by subchapter 15, chapter 3-122, Procurement Rules, bearing on such claim. If the CONTRACTOR fails to file a termination claim within one year from the effective date of termination, the Agency procurement officer may pay the CONTRACTOR, if at all, an amount set in accordance with subparagraph 14d(3) below.
- (2) The Agency procurement officer and the CONTRACTOR may agree to a settlement provided the CONTRACTOR has filed a termination claim supported by cost or pricing data submitted as required and that the settlement does not exceed the total Contract price plus settlement costs reduced by payments previously made by the STATE, the proceeds of any sales of goods and manufacturing materials under subparagraph 14c, and the Contract price of the performance not terminated.
- (3) Absent complete Contract under subparagraph 14d(2) the Agency procurement officer shall pay the CONTRACTOR the following amounts, provided payments agreed to under subparagraph 14d(2) shall not duplicate payments under this subparagraph for the following:
 - (A) Contract prices for goods or services accepted under the Contract;
 - (B) Costs incurred in preparing to perform and performing the terminated portion of the performance plus a fair and reasonable profit on such portion of the performance, such profit shall not include anticipatory profit or consequential damages, less amounts paid or to be paid for accepted goods

or services; provided, however, that if it appears that the CONTRACTOR would have sustained a loss if the entire Contract would have been completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;

(C) Costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to subparagraph 14b. These costs must not include costs paid in accordance with subparagraph 14d(3)(B);

(D) The reasonable settlement costs of the CONTRACTOR including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the Contract and for the termination of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to the terminated portion of this Contract. The total sum to be paid the CONTRACTOR under this subparagraph shall not exceed the total Contract price plus the reasonable settlement costs of the CONTRACTOR reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under subparagraph 14d(2), and the Contract price of performance not terminated.

(4) Costs claimed, agreed to, or established under subparagraphs 14d(2) and 14d(3) shall be in accordance with Chapter 3-123 (Cost Principles) of the Procurement Rules.

15. Claims Based on the Agency Procurement Officer's Actions or Omissions.

a. Changes in scope. If any action or omission on the part of the Agency procurement officer (which term includes the designee of such officer for purposes of this paragraph 15) requiring performance changes within the scope of the Contract constitutes the basis for a claim by the CONTRACTOR for additional compensation, damages, or an extension of time for completion, the CONTRACTOR shall continue with performance of the Contract in compliance with the directions or orders of such officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages, or an extension of time for completion; provided:

(1) Written notice required. The CONTRACTOR shall give written notice to the Agency procurement officer:

(A) Prior to the commencement of the performance involved, if at that time the CONTRACTOR knows of the occurrence of such action or omission;

(B) Within thirty (30) days after the CONTRACTOR knows of the occurrence of such action or omission, if the CONTRACTOR did not have such knowledge prior to the commencement of the performance; or

(C) Within such further time as may be allowed by the Agency procurement officer in writing.

- (2) Notice content. This notice shall state that the CONTRACTOR regards the act or omission as a reason which may entitle the CONTRACTOR to additional compensation, damages, or an extension of time. The Agency procurement officer, upon receipt of such notice, may rescind such action, remedy such omission, or take such other steps as may be deemed advisable in the discretion of the Agency procurement officer;
 - (3) Basis must be explained. The notice required by subparagraph 15a(1) describes as clearly as practicable at the time the reasons why the CONTRACTOR believes that additional compensation, damages, or an extension of time may be remedies to which the CONTRACTOR is entitled; and
 - (4) Claim must be justified. The CONTRACTOR must maintain and, upon request, make available to the Agency procurement officer within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the STATE, justifying the claimed additional costs or an extension of time in connection with such changes.
 - b. CONTRACTOR not excused. Nothing herein contained, however, shall excuse the CONTRACTOR from compliance with any rules or laws precluding any state officers and CONTRACTOR from acting in collusion or bad faith in issuing or performing change orders which are clearly not within the scope of the Contract.
 - c. Price adjustment. Any adjustment in the price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.
16. Costs and Expenses. Any reimbursement due the CONTRACTOR for per diem and transportation expenses under this Contract shall be subject to chapter 3-123 (Cost Principles) of the Procurement Rules and the following guidelines:
- a. Reimbursement for air transportation shall be for actual cost or coach class air fare, whichever is less.
 - b. Reimbursement for ground transportation costs shall not exceed the actual cost of renting an intermediate-sized vehicle.
 - c. Unless prior written approval of the DIRECTOR is obtained, reimbursement for subsistence allowance (i.e., hotel and meals, etc.) shall not exceed the applicable daily authorized rates for interisland or out-of-state travel that are set forth in the current Governor's Executive Order authorizing adjustments in salaries and benefits for state officers and employees in the executive branch who are excluded from collective bargaining coverage.
17. Payment Procedures: Final Payment; Tax Clearance.
- a. Original invoices required. All payments under this Contract shall be made only upon submission by the CONTRACTOR of original invoices specifying the amount due and certifying that services requested under the Contract have been performed by the CONTRACTOR according to the Contract.
 - b. Subject to available funds. Such payments are subject to availability of funds and allotment by the Director of Finance in accordance with chapter 37, HRS. Further, all payments shall be made in accordance with and subject to chapter 40, HRS.

c. Prompt payment.

- (1) Any money, other than retainage, paid to the CONTRACTOR shall be dispersed to subcontractors within ten days after receipt of the money in accordance with the terms of the subcontract; provided that the subcontractor has met all the terms and conditions of the subcontract and there are no bona fide disputes; and
- (2) Upon final payment to the CONTRACTOR, full payment to the subcontractor, including retainage, shall be made within ten days after receipt of the money; provided that there are no bona fide disputes over the subcontractor's performance under the subcontract.

d. Final payment. Final payment under this Contract shall be subject to sections 103-53 and 237-45, HRS, which require a tax clearance from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under state law against the CONTRACTOR have been paid.

18. Federal Funds. If this Contract is payable in whole or in part from federal funds, CONTRACTOR agrees that, as to the portion of the compensation under this Contract to be payable from federal funds, the CONTRACTOR shall be paid only from such funds received from the federal government, and shall not be paid from any other funds.

19. Modifications of Contract.

- a. In writing. Any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract permitted by this Contract shall be made by written amendment to this Contract, signed by the CONTRACTOR and the STATE, provided that change orders shall be made in accordance with paragraph 20 herein.
- b. No oral modification. No oral modification, alteration, amendment, change, or extension of any term, provision or condition of this Contract shall be permitted.
- c. Agency procurement officer. By a written order, at any time, and without notice to any surety, the Agency procurement officer, subject to mutual consent of the parties to this Contract and all appropriate adjustments, may make modifications within the general scope of this Contract to include any one or more of the following:
 - (A) Drawings, designs, or specifications
 - (B) Method or place of delivery
 - (C) Description of services to be performed;
 - (D) Time of performance (i.e., hours of the day, days of the week, etc.);
 - (E) Place of performance of the services; or
 - (F) Other provisions of the Contract accomplished by mutual action of the parties to the Contract.

- d. Adjustments of price or time for performance. If any modification increases or decreases the CONTRACTOR's cost of, or the time required for, performance of any part of the work under this Contract, an adjustment shall be made and this Contract modified in writing accordingly. Any adjustment in Contract price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment clause of this Contract or as negotiated.
 - e. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if written Contract of modification is not made prior to final payment under this Contract.
 - f. Claims not barred. In the absence of a Contract modification, nothing in this clause shall be deemed to restrict the CONTRACTOR's right to pursue a claim under this Contract or for a breach of contract.
 - g. CPO approval. If this is a professional services Contract awarded pursuant to section 103D-303 or 103D-304, HRS, any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract which increases the amount payable to the CONTRACTOR by at least \$25,000.00 or ten per cent (10%) of the initial Contract price, whichever increase is higher, must receive the prior approval of the CPO.
 - h. Tax clearance. The STATE may, at its discretion, require the CONTRACTOR to submit to the STATE, prior to the STATE's approval of any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract, a tax clearance from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under state law against the CONTRACTOR have been paid.
 - i. Sole source Contracts. Amendments to sole source Contracts that would change the original scope of the contract may only be made with the approval of the CPO. Annual renewal of a sole source Contract for services should not be submitted as an amendment.
20. Change order. The Agency procurement officer may, by a written order signed only by the STATE, at any time, and without notice to any surety, and subject to all appropriate adjustments, make changes within the general scope of this Contract in any one or more of the following:
- (1) Drawings, designs, or specifications, if the goods or services to be furnished are to be specially provided to the STATE in accordance therewith;
 - (2) Method of delivery; or
 - (3) Place of delivery.
- a. Adjustments of price or time for performance. If any change order increases or decreases the CONTRACTOR's cost of, or the time required for, performance of any part of the work under this Contract, whether or not changed by the order, an adjustment shall be made and the Contract modified in writing accordingly. Any adjustment in the Contract price made pursuant to this provision shall be determined in accordance with the price adjustment provision of this Contract. Failure of the parties to agree to an adjustment shall not excuse the CONTRACTOR from proceeding with the Contract as changed, provided that the Agency procurement officer promptly and duly makes the provisional adjustments in payment or time for performance as

may be reasonable. By proceeding with the work, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, or any extension of time for completion.

- b. Time period for claim. Within thirty (30) days after receipt of a written change order under subparagraph 20a, unless the period is extended by the Agency procurement officer in writing, the CONTRACTOR shall file notice of intent to assert a claim for an adjustment. Later notification shall not bar the CONTRACTOR's claim unless the STATE is prejudiced by the delay in notification.
- c. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if notice is not given prior to final payment under this Contract.
- d. Other claims not barred. In the absence of a change order, nothing in this paragraph 20 shall be deemed to restrict the CONTRACTOR's right to pursue a claim under the Contract or for breach of contract.

21. Price Adjustment.

- a. Price adjustment. Any adjustment in the Contract price pursuant to a provision in this Contract shall be made in one or more of the following ways:
 - (1) By Contract on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;
 - (2) By unit prices specified in the Contract or subsequently agreed upon;
 - (3) By the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as specified in the Contract or subsequently agreed upon;
 - (4) In such other manner as the parties may mutually agree; or
 - (5) In the absence of Contract between the parties, by a unilateral determination by the Agency procurement officer of the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as computed by the Agency procurement officer in accordance with generally accepted accounting principles and applicable sections of chapters 3-123 and 3-126 of the Procurement Rules.
- b. Submission of cost or pricing data. The CONTRACTOR shall provide cost or pricing data for any price adjustments subject to the provisions of subchapter 15, chapter 3-122 of the Procurement Rules.

22. Variation in Quantity for Definite Quantity Contracts. Upon the Contract of the STATE and the CONTRACTOR, the quantity of goods or services, or both, if a definite quantity is specified in this Contract, may be increased by a maximum of ten per cent (10%); provided the unit prices will remain the same except for any price adjustments otherwise applicable; and the CPO makes a written determination that such an increase will either be more economical than awarding another Contract or that it would not be practical to award another Contract.

23. Changes in Cost-Reimbursement Contract. If this Contract is a cost-reimbursement Contract, the following provisions shall apply:

- a. The Agency procurement officer may at any time by written order, and without notice to the

sureties, if any, make changes within the general scope of the Contract in any one or more of the following:

- (1) Description of performance (Attachment 1);
 - (2) Time of performance (i.e., hours of the day, days of the week, etc.);
 - (3) Place of performance of services;
 - (4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the STATE in accordance with the drawings, designs, or specifications;
 - (5) Method of shipment or packing of supplies; or
 - (6) Place of delivery.
- b. If any change causes an increase or decrease in the estimated cost of, or the time required for performance of, any part of the performance under this Contract, whether or not changed by the order, or otherwise affects any other terms and conditions of this Contract, the Agency procurement officer shall make an equitable adjustment in the (1) estimated cost, delivery or completion schedule, or both; (2) amount of any fixed fee; and (3) other affected terms and shall modify the Contract accordingly.
- c. The CONTRACTOR must assert the CONTRACTOR's rights to an adjustment under this provision within thirty (30) days from the day of receipt of the written order. However, if the Agency procurement officer decides that the facts justify it, the Agency procurement officer may receive and act upon a proposal submitted before final payment under the Contract.
- d. Failure to agree to any adjustment shall be a dispute under paragraph 11 of this Contract. However, nothing in this provision shall excuse the CONTRACTOR from proceeding with the Contract as changed.
- e. Notwithstanding the terms and conditions of subparagraphs 23a and 23b, the estimated cost of this Contract and, if this Contract is incrementally funded, the funds allotted for the performance of this Contract, shall not be increased or considered to be increased except by specific written modification of the Contract indicating the new Contract estimated cost and, if this Contract is incrementally funded, the new amount allotted to the Contract.

24. Confidentiality of Material.

- a. All material given to or made available to the CONTRACTOR by virtue of this Contract, which is identified as proprietary or confidential information, will be safeguarded by the CONTRACTOR and shall not be disclosed to any individual or organization without the prior written approval of the STATE.
- b. All information, data, or other material provided by the CONTRACTOR to the STATE shall be subject to the Uniform Information Practices Act, chapter 92F, HRS.

25. Publicity. The CONTRACTOR shall not refer to the STATE, or any office, agency, or officer thereof, or any State employee, including the head of the purchasing agency, the CPO, the DIRECTOR, the Agency procurement officer, or to the services or goods, or

both, provided under this Contract, in any of the CONTRACTOR's brochures, advertisements, or other publicity of the CONTRACTOR. All media contacts with the CONTRACTOR about the subject matter of this Contract shall be referred to the Agency procurement officer.

26. Ownership Rights and Copyright. The STATE shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract, and all such material shall be considered "works made for hire." All such material shall be delivered to the STATE upon expiration or termination of this Contract. The STATE, in its sole discretion, shall have the exclusive right to copyright any product, concept, or material developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract.
27. Liens and Warranties. Goods provided under this Contract shall be provided free of all liens and provided together with all applicable warranties, or with the warranties described in the Contract documents, whichever are greater.
28. Audit of Books and Records of the CONTRACTOR. The STATE may, at reasonable times and places, audit the books and records of the CONTRACTOR, prospective contractor, subcontractor or prospective subcontractor which are related to:
 - a. The cost or pricing data, and
 - b. A State contract, including subcontracts, other than a firm fixed-price contract.
29. Cost or Pricing Data. Cost or pricing data must be submitted to the Agency purchasing officer and timely certified as accurate for contracts over \$100,000 unless the contract is for a multiple-term or as otherwise specified by the procurement officer. Unless otherwise required by the Agency procurement officer, cost or pricing data submission is not required for Contracts awarded pursuant to competitive sealed bid procedures.

If certified cost or pricing data are subsequently found to have been inaccurate, incomplete, or noncurrent as of the date stated in the certificate, the STATE is entitled to an adjustment of the contract price, including profit or fee, to exclude any significant sum by which the price, including profit or fee, was increased because of the defective data. It is presumed that overstated cost or pricing data increased the contract price in the amount of the defect plus related overhead and profit or fee. Therefore, unless there is a clear indication that the defective data was not used or relied upon, the price will be reduced in such amount.
30. Audit of Cost or Pricing Data. When cost or pricing principles are applicable, the STATE may require an audit of cost or pricing data.
31. Records Retention. The CONTRACTOR and any subcontractors shall maintain the books and records that relate to the Contract and any cost or pricing data for three (3) years from the date of final payment under the Contract.
32. Antitrust Claims. The STATE and the CONTRACTOR recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the purchaser. Therefore, the CONTRACTOR hereby assigns to STATE any and all claims for overcharges as to goods and materials purchased in connection with this Contract, except as to overcharges which result from violations commencing after the price is

established under this Contract and which are not passed on to the STATE under an escalation clause.

33. Patented Articles. The CONTRACTOR shall defend, indemnify, and hold harmless the State of Hawaii, the contracting agency, and their officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this Contract. The CONTRACTOR shall be solely responsible for correcting or curing to the satisfaction of the STATE any such infringement or improper or unauthorized use, including, without limitation: (a) furnishing at no cost to the STATE a substitute article, process, or appliance acceptable to the STATE, (b) paying royalties or other required payments to the patent holder, (c) obtaining proper authorizations or releases from the patent holder, and (d) furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.
34. Governing Law. The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, shall be governed by the laws of the State of Hawaii. Any action at law or in equity to enforce or interpret the provisions of this Contract shall be brought in a state court of competent jurisdiction in Honolulu, Hawaii.
35. Compliance with Laws. The CONTRACTOR shall comply with all federal, state, and county laws, ordinances, codes, rules, and regulations, as the same may be amended from time to time, that in any way affect the CONTRACTOR's performance of this Contract.
36. Conflict between General Conditions and Procurement Rules. In the event of a conflict between the General Conditions and the Procurement Rules, the Procurement Rules in effect on the date this Contract became effective shall control and are hereby incorporated by reference.
37. Entire Contract. This Contract sets forth all of the Contracts, conditions, understandings, promises, warranties, and representations between the STATE and the CONTRACTOR relative to this Contract. This Contract supersedes all prior Contracts, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no Contracts, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the STATE and the CONTRACTOR other than as set forth or as referred to herein.
38. Severability. In the event that any provision of this Contract is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Contract.
39. Waiver. The failure of the STATE to insist upon the strict compliance with any term, provision, or condition of this Contract shall not constitute or be deemed to constitute a waiver or relinquishment of the STATE's right to enforce the same in accordance with this Contract. The fact that the STATE specifically refers to one provision of the Procurement Rules or one section of the Hawaii Revised Statutes, and does not include other provisions or statutory sections in this Contract shall not constitute a waiver or relinquishment of the STATE's rights or the CONTRACTOR's obligations under the Procurement Rules or statutes.